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## Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

### First Quarterly Report

For the three months ended 31 January 2006

## Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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*This report, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## SUMMARY

- The Group's turnover for the three months ended 31 January 2006 amounted to approximately HK\$23.87 million (2005: HK\$17.36 million), representing an increase of approximately 37.5% as compared with last corresponding period under review. The increase in turnover was primarily attributable to the increase of approximately HK\$4.7 million in sales and installation of diesel oxidation catalysts in Hong Kong.
- Profit attributable to shareholders for the three months ended 31 January 2006 amounted to approximately HK\$4.19 million (2005: HK\$3.02 million) which represented approximately 38.7% increase as compared with last corresponding period.
- Basic and diluted earnings per share for the three months ended 31 January 2006 amounted to approximately HK0.67 cent (2005: HK0.55 cent) and HK0.65 cents (2005: HK0.47 cent) respectively.

## UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the "Board") of Eco-Tek Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 January 2006 together with the comparative figures as follows.

	Notes	Three months ended 31 January 2006 HK\$'000	2005 HK\$'000
REVENUE	2	<b>23,865</b>	17,362
Cost of sales		<b>(15,770)</b>	(11,396)
Gross profit		<b>8,095</b>	5,966
Other operating income		<b>87</b>	263
Other revenue		<b>179</b>	165
Selling expenses		<b>(747)</b>	(596)
Administrative expenses		<b>(3,476)</b>	(2,683)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		<b>134</b>	–
Share of loss in a joint controlled entity		<b>(85)</b>	–
PROFIT BEFORE TAXATION		<b>4,187</b>	3,115
Taxation	3	<b>(99)</b>	(96)
PROFIT FOR THE PERIOD		<b>4,088</b>	3,019
ATTRIBUTABLE TO			
Equity holders of the parent		<b>4,186</b>	3,019
Minority interest		<b>(98)</b>	–
		<b>4,088</b>	3,019
Dividends	4	–	–
EARNINGS PER SHARE:	5		
Basic		<b>HK0.67 cent</b>	HK0.55 cent
Diluted		<b>HK0.65 cent</b>	HK0.47 cent

*NOTES:*

## 1. Principal accounting policies and basis of preparation

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and methods of computation used in the preparation of the unaudited consolidated results are consistent with those used in the 2005 Annual Financial Statements, except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards and HKASs ("New HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005. The adoption of these New HKFRSs have no significant impact on the Group's results of operations.

From 1 November 2005, the Group adopted the following New HKFRSs which are relevant to its operation:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

The unaudited consolidated financial results incorporate the financial results of the Company and its subsidiaries for the three months ended 31 January 2006. All material intercompany transactions and balances within the Group are eliminated on consolidation.

## 2. Revenue – Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

## 3. Taxation

	<b>Three months ended 31 January</b>	
	<b>2006</b>	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current:		
Hong Kong	<b>65</b>	32
Elsewhere	<b>19</b>	18
	<b>84</b>	50
Deferred	<b>15</b>	46
<b>Total tax charge for the period</b>	<b>99</b>	96

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

At 31 January 2006, there was no significant unrecognised deferred tax liability (2005: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

## 4. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2006 (2005: nil).

## 5. Earnings per share

The basic earnings per share amount for the three months ended 31 January 2006 is calculated based on the unaudited profit attributable to equity holders of the Company for the period of HK\$4,186,000 (2005: HK\$3,019,000) and the weighted average of 625,970,435 (2005: 552,800,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the three months ended 31 January 2006 is based on the unaudited profit attributable to equity holders of the Company for the period of HK\$4,186,000 (2005: HK\$3,019,000) and 648,304,542 (2005: 646,058,211) ordinary shares, being the 625,970,435 (2005: 552,800,000) ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 22,334,107 (2005: 93,258,211) ordinary shares assumed to have been issued on the deemed exercise of the share options under the pre-IPO share option scheme.

## 6. Movement of reserves

	Share premium	Exchange Capital reserve	Exchange translation reserve	Retained profits	Proposed final dividend	Total	Minority Interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2004	19,586	95	-	26,904	8,292	54,877	-	54,877
Profit for the period	-	-	-	3,019	-	3,019	-	3,019
At 31 January 2005	19,586	95	-	29,923	8,292	57,896	-	57,896
At 1 November 2005	19,586	95	138	45,845	3,248	68,912	-	68,912
Exchange difference	-	-	438	-	-	438	-	438
Acquisition of a subsidiary	-	-	-	-	-	-	(147)	(147)
Profit for the period	-	-	-	4,186	-	4,186	(98)	4,088
At 31 January 2006	19,586	95	576	50,031	3,248	73,536	(245)	73,291

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

During the three months ended 31 January 2006, the Group reported a turnover of approximately HK\$23.87 million, representing an increase of approximately HK\$6.51 million or 37.5% as compared with same period last year. The increase in turnover was primarily due to the increase in revenue derived from sale and installation of the Group's diesel oxidation catalysts ("Eco-Green") which will be completed in the next quarter.

The gross profit of the Group for the three months ended 31 January 2006 amounted to approximately HK\$8.1 million at a margin of 33.92% compared with a gross profit of around HK\$5.97 million at a margin of 34.36% for last corresponding period.

Other operating income represented the net amount of a further provision for warranty of Eco-Green of HK\$303,000. The Group will continue to make every effort to collect overdue debts from trade debtors.

The source of finance of the Group was primarily derived from the initial placing proceeds, internally generated funds, retained profits and an aggregate of HK\$78 million banking facilities granted to the Group for the issuance of letters of credit. As at 31 January 2006, the Group had pledged its bank deposits of approximately HK\$9 million to secure for performance bond facilities. In spite of the above, the Group still had unpledged cash and bank balances of approximately HK\$24 million for its future expansion and development.

### Business review and outlook

The Group is principally engaged in the marketing, sale, servicing, manufacturing, research and development of environmental protection and quality health related products and services.

Following to the strong rebound in the fourth quarter in last fiscal year, the performance of the Group for the first quarters of this fiscal year continues to perform. The rebound is mainly due to the three new tenders granted by the Environmental Protection Department of the Hong Kong Government ("EPD") in August 2005. These new tenders relates to the supply and installation of particulate removal device to reduce particulate emission for long idling vehicles which will be completed in next quarter.

A representative office located in Shunde, the Mainland China has been established in December 2005 which helps to enhance the sale and marketing force of the Group's hydraulic components in Guangdong Province. The Group will continue to look for suitable sites for representative offices and are optimistic that these moves can help to improve the turnover contributed by the sales of hydraulic components.

As previously reported, the Group had established a 50%-owned joint venture company in Nanjing, the Mainland China in June 2005. The joint venture company would engage in waste water treatment business and provision of other environmental protection related solutions in Jiangsu Province. As at 31 January 2006, several waste water treatment projects located in Jiangsu Province were under review.

The Group also carry studies on waste water treatment technology and related projects in the other parts of the Mainland China since treatment of waste water discharged from various sectors has always been one of the critical environmental issues faced by the provincial governments. Several waste water treatment plants have been visited and the research result is encouraging.

The Group had established a wholly-owned factory in the Mainland China which contributes small amount of revenue to the Group during the period under review. This factory mainly provides subcontract service to other industrial manufacturers. The Company is confident that the factory will contribute a reasonable amount of revenue to the Group in the near future following the enhancement of sales and marketing efforts.

In order to further develop the Group business presence in PRC, the Group continues to develop Energy Saving Devices and introduce various environmental protection related products and to promote the sense of healthy living to the general public. In addition, the Group entered into agreements in relation to the acquisition of 42.5% shareholding interest in Asian Way International Limited ("Asian Way") which indirectly wholly own the Water Supply Plant. The acquisition of a total of 42.5% shareholding interest in Asian Way by the Group was completed at the end of February 2006, and RMB30 million (equivalent to HK\$28.8 Million) in relation to the secured loan were made by the Group to Asian Way. For details of the investment, please refer to the announcement and circular of the Company dated 18 November 2005 and 16 December 2005 respectively.

The Water Supply Plant is currently under the stage of construction and, upon estimated completion of the construction works expected to be in mid-2007, it will be entitled to supply water to areas such as Zhou Liang Zhuang, Da Bai Zhuang and Niu Jia Pai Xiang in Tianjin City. The Group believes that the growth potential and future prospect of Water Supply Plant is encouraging, and may allow the Group to tap into the business or other investment opportunities in these areas.

Mr. Shah Tahir Hussain ("Mr. Shah"), an Executive Director of the Group since inception and is responsible for the overall administration and marketing, has been appointed as Chairman of the Board and Dr. Pau Kwok Ping ("Dr. Pau") has been appointed as Chief Executive Officer of the Group with effect from 3 March 2006. Dr. Pau has tendered his resignation as Chairman of the Board, Managing Director and Authorized Representative of the Group with effect from 3 March 2006 due to health reasons. The Board would like to express appreciation for the valuable contribution of Dr. Pau towards the Company during his term of service of Chairman. The Board believes that the new appointment can enhance the job focus and management effectiveness.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 January 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### *Long positions in ordinary shares of the Company*

#### **Number of shares held, capacity and nature of interest**

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital as at 31 January 2006</b>
<i>Executive Director</i>			
Mr. SHAH Tahir Hussain	Directly beneficially owned	14,372,800	2.2
<i>Chief Executive Officer</i>			
Dr. PAU Kwok Ping (Note)	Through a discretionary trust	44,224,000	6.8
		58,596,800	9.0

*Note:*

Dr. PAU Kowk Ping resigned as Chairman and Managing Director and acts as Chief Executive Officer of the Group on 3 March 2006.

The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.

*Interest in underlying shares of the Company*

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 21 November 2001, the Company had granted Pre-Scheme share options on the Company's ordinary shares to the executive Directors. Details of share options to subscribe for shares in the Company granted to the executive Directors as at 31 January 2006 were as follows:

Name	Date of grant	Number of	Number of	Number of	Exercise price per share HK\$
		options outstanding as at 1 November 2005	options exercised during the period	options outstanding as at 31 January 2006	
<i>Executive Director</i>					
Mr. SHAH Tahir Hussain	21/11/2001	13,820,000	(13,820,000)	-	0.01
<i>Chief Executive Officer</i>					
Dr. PAU Kwok Ping	21/11/2001	27,640,000	(27,640,000)	-	0.01
		41,460,000	(41,460,000)	-	

*Aggregate long position in ordinary shares and underlying shares of the Company*

<b>Name</b>	<b>Total number of ordinary shares held</b>	<b>Number of options held and outstanding as at 31 January 2006</b>	<b>Aggregate in number</b>	<b>Percentage of the Company's issued share capital as at 31 January 2006</b>
<i>Executive Director</i>				
Mr. SHAH Tahir Hussain	14,372,800	–	14,372,800	2.2
<i>Chief Executive</i>				
Dr. Pau Kwok Ping	44,224,000	–	44,224,000	6.8
	58,596,800	–	58,596,800	9.0

Save as disclosed above, as at 31 January 2006, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as at 31 January 2006, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### *Long positions*

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital as at 31 January 2006</b>
<i>Substantial shareholders</i>			
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University (Note 2)	Through a controlled corporation	80,680,800	12.42
Advance New Technology Limited (Note 2)	Directly beneficially owned	80,680,800	12.42
ING Trust Company (Jersey) Limited (Note 3)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 3)	Directly beneficially owned	44,224,000	6.81
<i>Other shareholder</i>			
Mr. LEE Wai Man	Directly beneficially owned	35,620,000	5.48

## Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, being the trustee of a unit trust of which the entire issued units are held by Cititrust (Cayman) Limited. By virtue of the SFO, Wide Sky Management Limited and Cititrust (Cayman) Limited are deemed to be interested in all the shares held by Team Drive Limited.
2. Advance New Technology Limited is a wholly-owned subsidiary of The Hong Kong Polytechnic University ("PolyU"). By virtue of its interest in Advance New Technology Limited, PolyU is deemed to be interested in all the shares of the Company held by Advance New Technology Limited.
3. The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.

## Other share options granted under the Pre-Scheme:

Name	Date of grant	Number	Number	Number	Exercise price per share <i>HK\$</i>
		of options outstanding as at 1 November 2005	of options exercised during the period	of options outstanding as at 31 January 2006	
Dr. CHIANG Lily	21/11/2001	55,280,000	(55,280,000)	-	0.01

Save as disclosed above, as at 31 January 2006, so far as is known to the Directors or chief executives of the Company, no other persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

## DISCLOSURE OF TRADE RECEIVABLES UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 January 2006, there were 649,540,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.208 per share as stated in the Stock Exchange's daily quotation sheets for the trading days from 23 January to 27 January 2006 (both days inclusive), being the five business days immediately preceding 31 January 2006, the five-day average market capitalisation of the Company was approximately HK\$135,104,000 (the "Total Market Capitalisation").

Pursuant to Rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, the following trade receivable of the Group as at 31 January 2006 exceeded 8% of the Total Market Capitalisation and the audited consolidated total asset value of the Group as at 31 October 2005 which amounted to approximately HK\$101,886,000.

<b>Customer</b>	<b>Amount due to the Group</b> <i>(HK\$'000)</i>	<b>% of Total Market Capitalisation</b>	<b>% of the audited consolidated total asset value of the Group as at 31 October 2005</b>
The Environmental Protection Department of the Hong Kong Government ("EPD")	19,322	14.3%	19.0%

The EPD is one of the customers of the Group and is not a connected person of the Group and is independent of, and is not connected with, the Company or its subsidiaries, the directors, chief executive or substantial shareholders of the Company and its subsidiaries or their respective associates (as defined in the GEM Listing Rules).

The trade receivable was resulted from sales of the Group's products in its ordinary course of business and, in the opinion of the directors of the Company, on normal commercial terms. The amount is unsecured and interest free.

The EPD's payment term is to pay the Group for its purchases in accordance with the contracts signed with the Group (i.e. the EPD is required to pay (i) 70% to 80% of the invoice amount to the Group one month upon receiving the claims submitted by the Group; (ii) another 10% of the invoice amount to the Group 3 months to 12 months after the invoice date; and (iii) the remaining 10% to 20% of the invoice amount to the Group after the completion of 60 months from the invoice date if no complains are received from the qualified diesel vehicle owners after successful installations of the Group's products).

Save for the above, there was no other advance which give rise to disclosure obligation under Rules 17.15, 17.17 and 17.22 of the GEM Listing Rules.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the three months ended 31 January 2006. The Company has not redeemed any of its listed securities during the period under review.

## COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the three months ended 31 January 2006.

## AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises four members, Ms. HUI Wai Man Shirley, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, who are the independent non-executive directors of the Company.

The Group's unaudited results for the three months ended 31 January 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

As at the date of this report, the directors of the Company are as follows:

**Executive directors:**

Mr. Shah Tahir Hussain  
Mr. Han Ka Lun

**Non-executive directors:**

Dr. Lui Sun Wing  
Mr. Young Meng Cheung Andrew

**Independent non-executive directors:**

Ms. Chan Siu Ping Rosa  
Mr. Takeuchi Yutaka  
Professor Ni Jun  
Ms. Hui Wai Man Shirley

By Order of the Board  
**Eco-Tek Holdings Limited**

**Shah Tahir Hussain**  
*Chairman*

Hong Kong, 10 March 2006